



Director of  
Central  
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# National Intelligence Daily

*Monday*  
*30 August 1982*

State Dept. review completed

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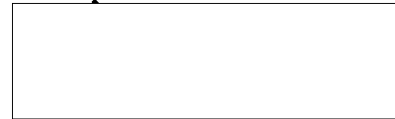
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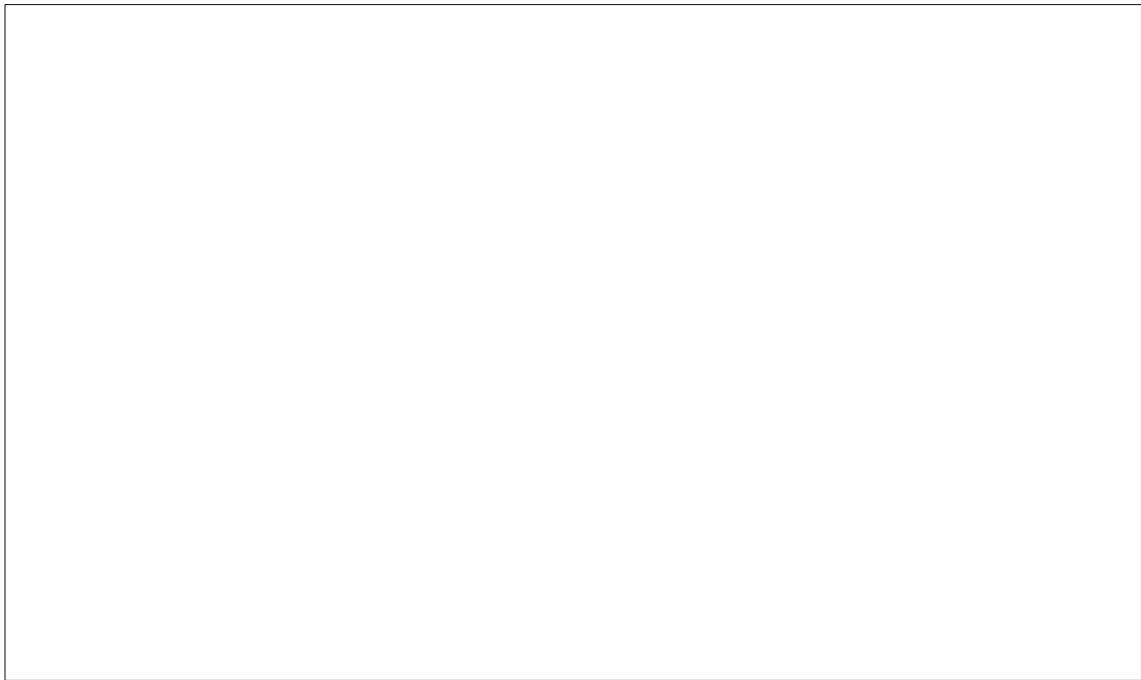
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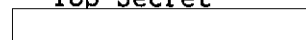
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## SPECIAL ANALYSIS

## (11) MEXICO: Troubled Transition

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*President Lopez Portillo's continued reluctance to endorse publicly austerity measures is complicating the normally cumbersome transfer of presidential power. This situation is aggravating current economic difficulties and undercutting confidence in the ruling party and government. President-elect de la Madrid remains a frustrated spectator. This situation will complicate the next administration's tasks in rebuilding confidence in the political system.*

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Presidential transitions in Mexico have a large potential for disarray under the best of circumstances. The lameduck president retains absolute power, but his mandate to establish far-reaching programs diminishes once his successor is selected. As his term draws to an end, the government grinds to a halt and key decisions are left to the next administration.

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Lopez Portillo sought to work closely with de la Madrid in order to assure a smooth transition. He appointed supporters of the President-elect to important diplomatic and economic posts and approved a large wage increase to ensure organized labor's support.

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Unlike what occurred in his own succession six years ago, Lopez Portillo also allowed his successor to assume a dominant role in ruling party matters and gave him almost free rein to select candidates for legislative seats. US Embassy officials report de la Madrid has already named the next leaders of the legislature as well as one new governor.

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Refusing To Get Tough

Despite these gestures, Lopez Portillo will have to shoulder a large share of the blame for the financial crisis. He postponed needed austerity measures long after it became clear to Mexican and foreign economists

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that Mexico City could not sustain the soaring public deficit. He also consistently rejected lowering the lofty consumption and job-creation goals he had set during the oil boom. [REDACTED]

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Earlier this month, in a speech following the devaluation of the peso, Lopez Portillo blamed Mexico's problems on the world economy. He specifically deferred any new domestic policy initiatives to the de la Madrid administration. [REDACTED]

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Moreover, Mexico City followed the devaluation with politically motivated concessions to labor and business. Price controls were extended for another 90 days, and other temporary measures were established to reduce personal and business taxes and to increase corporate and business liquidity. Special subsidies for hard-pressed border residents also were introduced. [REDACTED]

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De la Madrid recently complained that decisions were not being made and that "they" were doing nothing except waiting for him to be inaugurated. He realizes that stringent measures have to be imposed and that his first days in office will be crucial. Nevertheless, the President-elect--with his team and his programs largely unknown and untested--is bound by tradition to remain silent on key issues until he takes office.

Outlook

The next three months offer Lopez Portillo an opportunity to act as statesman. The President, however, is likely to do only the minimum demanded by his advisers and international creditors. This will involve endorsing some tough steps required by the IMF.

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